IOWA Department of REVENUE

Iowa Business Income Tax
Modernized e-File (MeF)
Guide for Software Developers

Document Corrections / Changes

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1. Introduction

The Fed/State Modernized e-File (MeF) program is a cooperative effort between the Internal Revenue Service (IRS) and participating state revenue departments. MeF provides electronic filing and payment options to taxpayers and tax practitioners.

This publication is intended for software developers. It outlines MeF communication procedures, submission formats, business rules, and validation procedures for Iowa business income tax returns and payments. See Section 8 in this guide for a list of supported tax circumstances.

To develop software for use with the MeF system, Software Developers should use this publication with Iowa MeF XML schema and business rules published on www.iowa.gov/tax/forms/entry.html.

This publication does NOT represent the requirements, procedures, etc., issued by the IRS. For related federal information, see IRS Publication 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters.

2. Iowa Contacts

2.1 Contacts for Software Developers

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Peter Johann  . . . . . . . . . . . . . . . . . . . . . . (515) 242-5882
Function: Project Management Peter.Johann@iowa.gov

Deb Dotzenrod . . . . . . . . . . . . . . . . . . . . . . (515) 281-6824
Function: Product Registration, Specs, Iowa ATS Deb.Dotzenrod@iowa.gov

FAX Number  . . . . . . . . . . . . . . . . . . . . . . . (515) 242-6040
Mailing Address . . . . . . . PO BOX 10460, DES MOINES, IA  50306-0460
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2.2 Contacts for Electronic Return Originators (ERO)

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Leann Boswell . . . . . . . . . . . . . . . . . . . . . . (515) 281-4220
Function: ERO Support and Customer Service Leann.Boswell@iowa.gov
Mailing Address . . . . . . . PO BOX 10457, DES MOINES, IA  50306-0457
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2.3 Iowa Tax Law Questions

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Telephone . . . . . . . . . . . . . . . . . . . . . . . . (515) 281-3114
E-mail  . . . . . . . . . . . . . . . . . . . . . . . . . . idr@iowa.gov
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3. Iowa Changes by Tax Year

Listed below are changes impacting software related to tax legislation, policy, and procedure. Also listed are the supported Iowa Business MeF schema versions with a summary of changes since the prior schema version.

3.1 Tax Year 2009

Schema version 2009V0.4

2009 Iowa Legislative Summaries www.iowa.gov/tax/taxlaw/09legsum.html

3.2 Tax Year 2008 (and earlier)

Tax years prior to 2009 are not supported in Iowa's Business MeF program.

4. Acceptance and Participation

4.1 Registering to Test Iowa MeF

1. Software companies (developers) must be in good standing with the Iowa Department of Revenue and the IRS.
2. Developers registering for Business MeF with Iowa for the first time must provide the Iowa Department of Revenue (attn: Deb Dotzenrod) copies of their "Application to Participate in the IRS e-File Program" (Form 8633 or IRS e-service equivalent) and a copy of the IRS acceptance letter. Developers need only provide this to Iowa once unless information changes. SSN may be redacted.
3. Software products need only support the Iowa forms and schedules corresponding to tax circumstances that a given product is designed for. Developers must disclose software product limitations when registering.
4. Every year, developers must notify Iowa Department of Revenue of their intent to participate in Iowa MeF by registering their software products. The Iowa registration discloses software product name, type, and limitations. Developers with multiple products must register each separately via SOFTWARE REGISTRATION – IOWA BUSINESS FED/STATE MeF PARTICIPATION (41-181) www.iowa.gov/tax/forms/entry.html
5. Developers may amend their product registration at any time during testing.

4.2 Assurance Testing (Iowa ATS)

1. A software product must be registered with Iowa prior to transmitting Iowa tests. There is no deadline for submitting a first Iowa ATS test.
2. A software product must have had at least one (1) federal ATS return accepted by the IRS prior to transmitting Iowa tests.
3. Iowa will send acknowledgements for all tests received. Iowa rejects tests when the Taxpayer ID is greater than 000009999.
4. The Taxpayer ID must match the respective Iowa ATS scenario to signal reviewers to review the test.
5. Developers must attempt to resolve issues raised by the reviewers prior to re-submitting affected Iowa ATS scenarios.
6. Iowa encourages developers to submit additional test scenarios that they create themselves using Taxpayer IDs different from those in Iowa's ATS scenarios. Acknowledgements will be sent for these tests, but reviewers will not review them.

4.3 Approval to eFile Iowa MeF

1. Software products must pass Iowa ATS prior to submitting "live" MeF tax returns.
2. Iowa Department of Revenue issues an approval letter to software companies for products passing Iowa ATS, subject to the scope and limitations documented during test registration and demonstrated during Iowa ATS.
3. The Department posts a list MeF software companies having approved products as a courtesy to taxpayers. The Department does not endorse software companies nor guarantee their products, services, or prices. Software companies must provide technical support for their products. The Department does not offer technical assistance for software products.

5. Developer Responsibilities

5.1 State of Iowa Tax Information

Iowa Department of Revenue home page: www.iowa.gov/tax

Iowa Tax Research Library: http://itrl.idr.iowa.gov/

Iowa Legislative Summaries: www.iowa.gov/tax/taxlaw/taxlawlegis.html#LegSum

News releases about Iowa tax legislation which may affect Iowa Business Income Tax filing: http://elists.idrf.state.ia.us/scripts/wa.exe (includes listservs, searchable archives, and full archives)

Iowa Business Income Tax Forms and Instructions
Corporation www.iowa.gov/tax/forms/corpinc.html
www.iowa.gov/tax/forms/CorpArchive.html
Partnership www.iowa.gov/tax/forms/partinc.html
www.iowa.gov/tax/forms/PartIncArchive.html
All Taxes www.iowa.gov/tax/forms/loadform.html
Drafts www.iowa.gov/tax/forms/entry.html

Information for Software Developers: www.iowa.gov/tax/forms/entry.html:
- Iowa draft tax forms and instructions
- Iowa MeF documentation: Developer Guide, Business Rules, Schema, Software Product Registration

Software developers wanting news about Iowa MeF may provide their contact information to the Iowa contacts for Software Developers given in Section 2.

IRS MeF documentation: www.irs.gov/efile/article/0,,id=171946,00.html

Basis for MeF provisions: http://itrl.idr.iowa.gov/mx/hm.asp?id=701-39.13

5.2 Confidentiality

The Iowa Department of Revenue expects tax software companies to develop products that help their customers protect taxpayer data. Software companies are encouraged to heed IRS Publication 4557, Safeguarding Taxpayer Data.

The Iowa Department of Revenue encourages tax software companies to develop products that implement the IRS's six (6) e-file security and privacy standards to better protect taxpayer information collected, processed, and stored by Authorized IRS e-File Providers.

www.irs.gov/efile/article/0,,id=201195,00.html

5.3 Provisions for Continued Iowa MeF Participation

- Developer remains eligible to participate in the federal MeF program
- Developer takes measures to remain informed about federal/Iowa income tax law and federal/Iowa MeF programs
- Developer takes measures to assure software products submit tax returns consistent with taxpayer intent, minimizing grounds for any party to question or refute the validity of submissions
- Developer software products produce submissions that comply with the schema versions and business rules prescribed by the IRS and State of Iowa for the tax years being filed
- Developer only releases software products for given tax years that have passed federal and Iowa ATS
- Developer cooperates with the Department in a timely fashion when the Department provides notification of issue with a software product
- Developer understands that the Department monitors the quality of submissions from software products and that trading partners deviating from the intent of the federal and Iowa MeF programs risk suspension from participating in Iowa MeF

5.4 Provisions for Suspension from Participation

(This list is not all-inclusive.)

- IRS suspension from the federal MeF program
- Submitting Iowa returns with software not approved for use in the Iowa MeF program
- Submitting Iowa returns inconsistent with software limitations reported to and approved by the Department
- Deterioration of submission quality
- Excessive errors, omissions, rejections, or other defects
- Failing to correct software defects in a timely manner
- Significant complaints about a software product
- Failure to cooperate with the Department's efforts to monitor electronic filers, investigate electronic filing abuse, and investigate the possible filing of fraudulent returns

5.5 Administrative Review Process for Suspension

The Department will notify the trading partner by letter if it is suspended from the Iowa MeF program for reasons described above.

If the trading partner disagrees with the suspension, the trading partner must file a written protest with the Department within 60 days of the date of the suspension letter. The written protest must be filed pursuant to rule 701--7.41(17A). The trading partner will not be allowed to participate in the Iowa MeF program during the administrative review process.

6. Miscellaneous

6.1 Rejects and Timeliness of Filing

The Iowa MeF system rejects submissions that fail to comply with formatting and business rules. Rejected submissions are considered "not filed" but are temporarily held in suspense to reference in case corrections are submitted.

If a return is rejected, it can be corrected within 20 days and be given the postmark date of the original rejected tax return, provided that the corrected submission references the original submission ID.

The "20-Day Rule" applies only to returns, not to payments. The balance due must be paid by the due date to avoid late fees.

ACH-Debit payments submitted with returns are processed only if returns are accepted. It is recommended that the ACH-Debit payments be transmitted "stand-alone" rather than with the return when the return can not be corrected by the payment due date.

7. Acknowledgements

7.1 Acknowledgement Turnaround

The Iowa MeF system generates an acknowledgement for each state submission and sends it to the IRS MeF system for the transmitter to retrieve. This acknowledgement signals trading partners that Iowa has either accepted or rejected the corresponding MeF submission. The Iowa Department of Revenue endeavors to acknowledge submissions hourly but staffs the MeF system to resolve technical issues during weekday business hours only.

Trading partners that do not receive Iowa acknowledgements within a few hours may expect to receive them within one business day of the State of Iowa receiving state returns from the IRS. The Iowa Department of Revenue expects EROs to resolve missing acknowledgements through their transmitter service provider. The Department will assist transmitters with missing acknowledgements, not EROs or taxpayers, if provided the following information:

- Electronic Transmitter ID Number (ETIN)
- Electronic Filer ID Number (EFIN)
- Taxpayer ID of the submissions in question
- Transmission Date
- Date of federal return acknowledgement
- Transmitter contact name and telephone number

7.2 Business Rules

MeF Rules for Iowa Business Income Tax: www.iowa.gov/tax/forms/entry.html

Iowa Rule Number – Each business rule has a number that uniquely identifies the business rule within the Iowa MeF system. The rule number begins with a letter identifying the rule type applied, the form/schedule that owns the rule (types F and S only), followed by a sequence number.

Iowa Rule Types:

F	Form
R	Return
T	Transmission
X	XML – data must conform to specified XML schema
S	Schedule qualified by form
FT	Financial Transaction

Iowa Rule Number Examples:

FIA1120-001: First rule of Form IA1120
SA-FIA1120-001: First rule of Schedule A of form IA 1120
SG-FIA1120-001: First rule of Schedule G of form IA 1120
FIA148-001
T0000-001
X0000-001
R0000-001
FT0000-001

Rule text – Each business rule prescribes what is expected in order to comply with a requirement. Rule text uses business terms (as opposed to programming terms) that are readily understood by tax subject matter experts, electronic return originators, and transmitters familiar with Iowa forms. Rule text pertaining to forms and schedules usually follows a pattern: Main data is referenced first and other affected data thereafter. Form number, step, part, and line number are included when available, followed by data name – usually as written on the paper form. References in the rule to other affected data elements are only by line number and data name if on the same form/schedule, step, and/or part as the main data element.

8. General Information

8.1 Signature Requirements

Submission must be signed before transmission is allowed. Iowa Department of Revenue has adopted the "Self-select" PIN signature alternative as implemented by the IRS. If the ERO elects not to use the "Self-select" PIN signature alternative, the IA 8453 must be completed, signed by the preparer, ERO, and taxpayer, and retained by the taxpayer and ERO for three years after the filing date or due date, whichever is later.

8.2 Federal Data Requirements

A complete copy of the federal return and attachments as filed with the IRS must be provided in the Iowa submission. Consolidated filers must provide pages 1-4 of the consolidated federal return, consolidating income statements, and any other forms related to the Iowa return. The State Submission Message Structure provides a place for this as explained in the IRS MeF State and Trading Partners ICD.

Caution: The IRS rejects "linked" state submissions that fail to link to an "accepted" federal submission. Iowa never receives state submissions rejected by the IRS.

8.3 General Data Requirements

Omit elements intended to be unreported; do not send empty data elements.

Unreported "optional" amounts are treated as having value zero.

Ratios and percents may be reported using as many decimal places as the schema allows unless the tax form or its instructions specify otherwise.

8.4 Excluded from Iowa Business MeF

- IA 1065 – Partnership Return of Income
- IA 1120S – Iowa Income Tax Return for an S Corporation
- IA 1120X – Iowa Amended Corporation Income Tax Return
- IA 1120A – Iowa Corporation Income Tax Return – Short Form
- IA 1139-CAP Application for Refund Due to the Carryback of Capital Losses
- IA 1139-NOL – Application for Refund Due to the Carryback of Net Operating Losses and Alternative Minimum Tax Losses for Years beginning prior to January 1, 2009 ONLY
- Certain Iowa Corporation Income Tax Returns:
  - Filed for any tax year prior to 2009
  - Filed by Cooperative Association
  - Filed by Nonprofit Corporation reporting Unrelated Business Income Taxes (UBIT)
- Direct deposit of refunds into multiple accounts

8.5 Supported by Iowa Business MeF

- Linked (preferred) and Unlinked filings
- ACH Debit payment for tax amount due and estimated tax payments
- ACH direct deposit refunds into one account
- Calendar Year (12-month tax period normally ends December 31)
- Fiscal Year (12-month tax period normally ends other than December 31)
- Short Period (filing for less than 12 months)
- Supporting Documentation – Taxpayers are sometimes instructed to "attach" supporting information to the tax return. This includes tax forms, statements, explanations, elections, notices, schedules, or other types of miscellaneous information explained on tax forms, instructions, regulations, or publications.
    - Federal forms – When Iowa instructions call for federal forms to be attached, Iowa expects requisite forms to be present within IRS MeF submission copy provided to Iowa. Iowa does not redefine federal forms in its schema.
    - Simple explanation attributes or elements have been defined in the schema when appropriate to convey supporting textual statements.
    - Complex explanation attributes or elements have been defined when appropriate to convey supplementary information that is formatted or tabular.
    - Optional PDF binary attachments are provided for within the Iowa submission when the methods described above are insufficient. If software or practitioner cannot provide binary attachments in the electronic submission, hardcopy attachments must be attached to a signed transmittal form, retained by preparer until requested, and mailed to the Department.

IA 1120 – Iowa Corporation Income Tax Return – Long Form (filed by "Regular Corporation") with:
   Schedule A – Other Additions and Reductions
   Schedule B – Foreign Dividend Exclusion
   Schedule C1 – Credits
   Schedule C2 – Payments
   Schedule D – Nonbusiness Income
   Schedule E – Business Activity Ratio (BAR)
   Schedule IA 4626 – Computation of Minimum Tax
   Schedule IA 8827 – Computation of Minimum Tax Credit

Schedule F – Net Operating Loss [form IA 1120]
Schedule G – Alternative Minimum Tax Loss [form IA 1120]
Schedule H – Computation of Federal Tax Refund/Deduction [form IA 1120]
Schedule I – IA 851 Affiliation [form IA 1120]
Schedule J1 & J2 – Consolidated Business Activity Ratio [form IA 1120]

IA 1120ES – Estimated Tax Voucher for Corporations
IA 2220 – Underpayment of Estimated Tax by Corporations

IA 148 Tax Credits Schedule
   Attached forms:
   IA 128 – Iowa Research Activities Credit
   IA 128A – Iowa Alternative Incremental Research Activities Credit
   IA 133 – New Jobs Credit
   IA 135 – E85 Gasoline Promotion Tax Credit
   IA 137 – Ethanol Promotion Tax Credit

```
IA 3468 – Investment Tax Credit
IA 8827 – (See listed under IA 1120 above)
IA 8864 – Biodiesel Blended Fuel Tax Credit

IA 4136 – Computation of Iowa Motor Fuel Tax Credit
IA 4562A – Iowa Depreciation Adjustment Schedule
IA 4562B – Iowa Depreciation Accumulated Adjustment Schedule
```

9. Schemas and Specifications

9.1 Packaging

The IRS prescribes SOAP and packaging specifications. For MeF Transmission
File Structures for Internet Filing Application (IFA) and Application-to-
Application (A2A), refer to IRS publications:

- IRS Publication 4164
- MeF Submission Composition Guide
- ISS MeF State and Trading Partners ICD

To indicate State of Iowa submission, value "IA" must occur in the
Jurisdiction element of /ReturnState/ReturnHeaderState.

9.2 Schemas, Instance Documents, and Business Rules

www.iowa.gov/tax/forms/entry.html

9.3 Annotated Application Processing Instructions

The Iowa Department of Revenue needs to specify application processing
instructions inside of its state MeF schemas to tell its MeF host
application how to process a given section in a conforming xml document.

Iowa has placed these instructions in the <appinfo> element in accordance
with W3C recommendations. The <appinfo> element is a child of the annotation
element, designed to pass information to a processing application,
stylesheet, or other tool. http://www.w3.org/TR/2004/REC-xmlschema-1-
20041028/structures.html#Annotation_details

Using the <appinfo> element necessitates Iowa specifying an additional
namespace in its MeF schemas:
xmlns:b="http://schemas.microsoft.com/BizTalk/2003" This namespace merely
facilitates interpreting schema annotations; xml submission data is valid
without listing this namespace.

All Iowa XSDs with multiple root elements have:

   1. A namespace specified in all annotations

```
    <xsd:annotation>
         <xsd:documentation>
               <Description xmlns="http://www.irs.gov/efile">A Short
       period</Description>
               <LineNumber xmlns="http://www.irs.gov/efile">Step
       1</LineNumber>
```

```
        </xsd:documentation>
    </xsd:annotation>
```

The default "http://www.irs.gov/efile" namespace gets used when no namespace is specified.

2. An additional annotation specifying which element is to be treated as the root for processing application instructions

```
<xsd:annotation>
 <xsd:appinfo>
   <schemaInfo root_reference="FormIA1120"
xmlns="http://schemas.microsoft.com/BizTalk/2003"/>
 </xsd:appinfo>
</xsd:annotation>
```

Providing application processing instructions in copies of state MeF schemas that Iowa releases to software developers makes it unnecessary for Iowa to maintain separate parallel copies of each MeF schema version (that is, one copy for internal use and one copy for software developers).